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To: The Honorable Russell K. Pearce, Chairman
House Appropriations Committee
Joint Committee on Capital Review
The Honorable Robert Burns, Chairman
Senate Appropriations Committee
Joint Committee on Capital Review

From: Chris Cummiskey, Director and State CIO

Date: October 30, 2003

Subject: Request for Proposal to Privatize the State's Telecommunication Services

In accordance with HB 2533, the Government Information Technology Agency (GITA) is pleased to deliver the attached actionable Request for Proposal (RFP) to privatize the State's telecommunication services. The RFP was developed in consultation with the Department of Administration (ADOA) and with extensive input from the Information Technology Authorization Committee (ITAC), the Telecommunication Executive Governance Committee (TEGC), the CIO Council, major agencies, and assistance of the Burton Group, a consulting firm specializing in networks and telecommunication. GITA spent less than \$230,000 (of an available \$500,000) on consulting, procurement and clerical support for this project.

Phased Approach

GITA has crafted the RFP employing a phased approach to privatize and modernize the State's telecommunication services. The State will begin with a manageable, definable core and expand quickly as the State gains experience. The phased approach is designed to avoid a large telecommunication outsourcing project failure such as those experienced by Alaska, Georgia and Texas. The State will also deploy appropriate cost and performance controls to reduce risk. The RFP approach is summarized below:

Who

- The Governor's letter of September 24, 2003 directs all executive branch agencies to participate.
- In Phase 1: - 107 agencies who receive some voice or data services from ADOA's ATS division.
 - AHCCCS who runs their own voice system that needs replacement.
- Additional agencies and locations to be added within 2 years through an Additional Work Process, subject, in each case, to analysis with defined price and performance controls.

What

- Outsourced management of telecommunication services, including Capitol Mall fiber ring.
- Laying the foundation for a single, converged and statewide voice, video and data network to support VOIP, IP telephony and other advanced technologies.

When

- Service provider to be selected in Spring 2004 with agencies to be migrated within 2 years.
- Roadmap implementation plan for a converged network within 3 to 5 years.

Where

- In Phase 1: Capitol Malls in Phoenix and Tucson, AHCCCS in downtown Phoenix and 267 locations statewide for a total of 16,000+ lines.

Why

- Advance a more cost effective, efficient statewide telecommunication network.
- Overcome the inefficiencies of disparate systems in agency silos.
- Increase inter-agency communications and improve government services.
- Support cross-agency initiatives, such as social services reform, criminal justice integration, etc.

Increased Efficiencies; Cost Savings

The RFP will advance the efficiency of State government as follows:

- There are over 50 telephone switches (PBXs) and 400 telephone key systems in the executive branch. The outsourcer will eliminate redundant systems and manage those that remain.
- The outsourcer will develop a convergence plan to move the state from separate voice and data networks to one network for both, resulting in cost savings and efficiencies.
- The State will retain a portfolio of commodity contracts to insure continuous competition and to keep commodity costs as low as possible.
- To pursue additional State cost savings, the outsourcer must:
 - Eliminate redundant telephone circuits.
 - Move agencies to IP telephony technology, as their business needs require.
 - Upgrade the State's network, subject to State technology and security standards.
 - Submit benefit sharing and cost reduction proposals during the contract term.

ITAC

As required by HB2533, the RFP received conditional approval from ITAC on October 10, 2003. At the October 22nd ITAC meeting, some ITAC members expressed concerns that they want conveyed to JCCR.

Exhibit 1 to this letter describes each concern, how it is addressed in the RFP or statute and GITA's recommendations regarding each concern.

ADOA

As required by HB2533, GITA has consulted extensively with ADOA on the outsourcing project. While we have incorporated many of ADOA's suggestions in the RFP, ADOA remains concerned that the State will not know all of its costs up-front and that the State is not sufficiently leveraging private sector investments. These concerns are addressed in detail in **Exhibit 2**.

General

In summary, we believe the submitted RFP will privatize the State's telecommunication services at the lowest possible cost while maintaining high levels of service and mitigating risks to the State. My staff and I would be happy to meet with you to discuss all areas of the RFP, either of the attached exhibits and any other specific questions or concerns.

Thank you for the opportunity to advance this important statewide initiative.

Attachments: Exhibit 1
Exhibit 2

Distribution: Members, Joint Committee on Capital Review (JCCR)